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ABSTRACT

A review of the administration of the school lunch program was instigated to determine whether the program objectives -- making nutritious lunches available to all school children and providing them free or at reduced prices to needy children -- were being achieved effectively. The review included visits to 46 schools in 13 districts in California, Indiana, Kansas, Kentucky, Michigan, and Texas. The principal obstacles found in reaching all needy school children are schools' adoption of practices in administering the free- and reduced-price lunch policy that do not comply with Food and Nutrition Service regulations; needy families' refusal to have their children accept the school lunches free or at reduced prices; and the inadequate coverage by FNS regional office and State agency reviewers of the schools' implementation of, and success in complying with, free- and reduced-price lunch policies. (Author/MLF)

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REPORT TO THE CONGRESS

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Progress And Problems In Achieving Objectives Of School Lunch Program

B-178564

Food and Nutrition Service
Department of Agriculture

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

JUNE 29, 1973

EA 005 390

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-178564

To the President of the Senate and the
Speaker of the House of Representatives

We have reviewed the progress and problems in achieving the objectives of the school lunch program administered by the Food and Nutrition Service, Department of Agriculture.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget, and to the Secretary of Agriculture.

Elmer B. Staats

Comptroller General
of the United States

Contents

		Page
DIGEST		1
CHAPTER		
1	INTRODUCTION	
	History of school lunch program	5
	Responsibility for administration	5
	Program funding	7
		8
2	MAKING NUTRITIOUS LUNCHES AVAILABLE TO ALL SCHOOL CHILDREN	10
	Schools choosing not to participate	11
	Schools without food service buildings and equipment	12
	Schools with inadequate facilities	14
	Efforts to extend program to all schools	14
	Conclusions	17
	Recommendations to the Secretary of Agriculture	18
	Agency comments	18
3	PROVIDING FREE OR REDUCED-PRICE LUNCHES TO ALL NEEDY SCHOOL CHILDREN	21
	Reasons cited by those who did not want to participate	22
	Administrative practices affecting needy students' participation	24
	OIG review of implementation of free- and reduced-price-lunch program	26
	Conclusions	29
	Agency comments	29
4	NEED TO OBTAIN BETTER INFORMATION ON COST PER LUNCH	31
	Recommendation to the Secretary of Agriculture	32
	Agency comments	33
5	SCOPE OF REVIEW	34

APPENDIX		Page
I	State educational agencies, school districts, and schools visited during review	35
II	Federal assistance to States for child-feeding programs	37
III	Letter dated January 19, 1973, from the Administrator, Food and Nutrition Service, Department of Agriculture, to the General Accounting Office	38
IV	Principal officials of the Department of Agriculture responsible for administration of activities discussed in this report	41

ABBREVIATIONS

FNS	Food and Nutrition Service
GAO	General Accounting Office
OIG	Office of the Inspector General

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

PROGRESS AND PROBLEMS IN ACHIEVING OBJECTIVES OF SCHOOL LUNCH PROGRAM

Food and Nutrition Service
Department of Agriculture B-178564

D I G E S T

WHY THE REVIEW WAS MADE

The Food and Nutrition Service administers four child-feeding programs and three related programs to safeguard the health and well-being of the Nation's children.

Federal assistance to the States to carry out these programs has increased over the years. From fiscal year 1967 to fiscal year 1973, for example, the assistance increased from $438 million to an estimated $1.5 billion.

GAO reviewed the administration of the school lunch program, the largest of the child-feeding programs, to determine whether its objectives--making nutritious lunches available to all school children and providing them free or at reduced prices to needy children--were being achieved effectively.

The review included visits to 13 school districts and 46 schools in these districts in California, Indiana, Kansas, Kentucky, Michigan, and Texas. (See app. I.)

FINDINGS AND CONCLUSIONS

Making nutritious lunches available to all school children

The Service's statistics showed that, between fiscal years 1969 and 1972, the number of schools participating in the program increased from about 74,900, with about 40 million students enrolled, to about 82,900, with about 45 million students enrolled. Some of these schools were operating only limited programs because of inadequate facilities.

Service data indicated that, early in the 1971-72 school year, about 24,900 eligible schools, with about 8.7 million students enrolled, were not participating in the program. About 18,100 of these schools did not have any type of food service, and the Service identified at least 4,400, with 1.4 million students enrolled, as needy schools. (See p. 10.)

Some schools did not participate because

--their officials were not interested in participating,

--their officials preferred to operate their own lunch programs, or

--local conditions were such that they did not want to participate. (See p. 11.)

Some schools did not participate because they did not have the buildings and equipment necessary for preparing and serving food. Some of these schools said they lacked local funds to acquire the necessary

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buildings and to purchase equipment. (See p. 12.)

Some participating schools had inadequate facilities and therefore could not serve lunches to all of their students. (See p. 14.)

State agencies were not effective in extending the program to all schools within their States, particularly to schools that required Federal assistance for necessary buildings and equipment. The Department's Office of the Inspector General reported that the Service's regional offices had made only limited efforts to extend the program to private schools. (See p. 14.)

The Service did not have reliable data on the schools needing assistance and on the extent of their needs. (See p. 16.)

Some of the reasons the schools cited for not participating were based on local preference or on special local conditions not susceptible to Federal persuasion. Other reasons, however, such as the lack of interest and the lack of facilities for preparing and serving food, evidenced problems which could be resolved.

To resolve these problems, the Service needs better data on the number of schools not participating and their reasons.

Such data would help the Service determine what assistance or changes in administrative policies or legislation may be needed to enable such schools to participate. (See p. 17.)

Providing free or reduced-price lunches to all needy students

After the May 1970 enactment of legislation which clarified responsibilities for providing free or reduced-price lunches, the number of students eating such lunches increased from about 5 million to 8.1 million in April 1972, a 60-percent increase.

The Service's March 1972 survey, however, showed that about 1.5 million needy students attending participating schools still were not eating free or reduced-price lunches. To determine why, GAO identified 183 needy students at 20 schools visited during the 1971-72 school year who were not eating free or reduced-price lunches and interviewed them or members of their families.

Of those interviewed, 75 said that they did not want to participate or to have the students participate because of personal reasons, such as pride or student preference not to eat the school lunches.

The other 108 persons interviewed said they wanted to eat, or to have the students eat, the school lunches free or at reduced prices. They gave various reasons for not participating, some of which appeared to be related to the schools' administrative practices which did not comply with the Service's regulations: some schools failed to send application forms to all families having children enrolled and used procedures which resulted in needy students' being identified. (See p. 21.)

The Office of the Inspector General found similar practices in its review of the administration of the free- and reduced-price-lunch program in other schools during the 1971-72 school year. It made several recommendations to the Service, including ones on the need for

--followup by the Service's regional office and State agency personnel on the schools' implementation of free- and reduced-price-lunch policies,

--prompt corrective action on problem areas,

--continued efforts to publicize the availability of free and reduced-price lunches, and

--renewed efforts to have schools develop systems that adequately protect the anonymity of students approved for free and reduced-price meals.

The Service said that action had been or would be taken on these matters. (See p. 26.)

GAO concurs with the Office of the Inspector General's recommendations to the Service and, in view of the actions that the Service has taken or planned, is not making any recommendations on this aspect of the program. (See p. 29.)

Need to obtain better information on cost per lunch

The Service lacked accurate information on the cost of lunches served under the program. It needs this information to insure that its reimbursements to the States are no greater than the allowable costs but are sufficient to give States an incentive to bring more needy students into the program.

The Service had not sufficiently guided the schools on how to compute the per-lunch cost because it had not identified what cost elements should be included. (See p. 31.)

RECOMMENDATIONS

The Secretary of Agriculture should have the Administrator of the Service:

--Make the studies necessary to obtain accurate information on the number and needs of schools that are not participating in the program and, if it is decided that the schools should be participating, determine whether changes in existing administrative policies or practices or in legislation are necessary.

--Direct the Service's regional offices to work more closely with the States in contacting nonparticipating schools and, where applicable, to contact nonparticipating schools directly, to convince them of the importance of providing nutritious meals to their students and to advise them of the types of assistance available to them under the school lunch program. Such promotional efforts could be especially effective in encouraging the participation of those schools whose reasons for not participating may be other than the unavailability of local funds. (See p. 18.)

--Specifically define the types of costs incurred by participating schools that are allowable for

reimbursement by the Service. (See p. 32.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Department generally agreed with GAO's conclusions and recommendations and described actions that were being taken to obtain better information, promote the program, and define reimbursable costs. (See pp. 18, 29, and 33 and app. III.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

Progress has been made toward achieving the school lunch program's objectives; further actions by the Department could result in greater progress. Some existing conditions, however, make it uncertain whether the objectives will be fully achieved. The Congress should find this report useful in its continuing evaluation of the school lunch program.

CHAPTER 1

INTRODUCTION

The Food and Nutrition Service (FNS), Department of Agriculture, administers four child-feeding programs and three related programs which the Congress authorized to safeguard the health and well-being of the Nation's children by providing various forms of assistance to the States to carry out nonprofit child-feeding programs.

The child-feeding programs are (1) the National School Lunch Program, which includes general cash-for-food assistance for all lunches and special cash assistance for free or reduced-price lunches for needy students, (2) the School Breakfast Program, (3) the Special Milk Program, and (4) the Special Food Service Program for children in nonprofit service institutions, such as day-care centers, settlement houses, and recreation centers.

The related programs are (1) the Nonfood (equipment) Assistance Program, (2) the program to provide cash advances to State educational agencies for their administrative expenses in conducting child-feeding programs and in assisting local school districts and service institutions in their efforts to reach more children, and (3) the program for nutritional training and education for workers, cooperators, and participants in the child-feeding programs and for surveys and studies of requirements for such programs.

We reviewed the administration of the school lunch program, the largest of the child-feeding programs, to determine whether its objectives--making nutritious lunches available to all school children and providing free or reduced-price lunches to needy children--were being effectively achieved. We made our review in 6 States, 13 school districts, and 46 schools in these districts. (See app. I.)

HISTORY OF SCHOOL LUNCH PROGRAM

Although Federal assistance for school lunch operations began as early as 1933, the National School Lunch Act of June 4, 1946 (42 U.S.C. 1751), provided the first permanent legislation authorizing Federal assistance for a school lunch program. Specifically, the Congress declared that

the objectives of the act were "to safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of nutritious agricultural commodities and other food ***."

The act authorized assistance to States in the form of cash reimbursements for part of the food costs and authorized continuance of direct distribution of suitable foods acquired by the Department through the use of customs receipts as authorized by section 32 of Public Law 74-320 (7 U.S.C. 612c). In addition, the act authorized the Department to purchase and distribute certain foods which would improve the nutritional quality of the lunches served. The act listed the following three basic operating standards.

--Lunches served should meet nutritional standards established by the Department.

--The lunch program should be operated on a nonprofit basis.

--Children unable to pay the full price should be served free or reduced-price lunches.

The Department's food distribution authority was further expanded by section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431) which authorized donations of food acquired by the Commodity Credit Corporation under price-support programs.

On October 15, 1962, Public Law 87-823 added section 11, Special Assistance, to the National School Lunch Act. This section authorized higher rates of cash reimbursement to needy schools (those drawing attendance from areas in which poor economic conditions exist), to assist these schools in serving lunches to students unable to pay the full cost of such lunches. Continuous funding under section 11, which began in fiscal year 1966, increased from about $1.9 million in that fiscal year to about $502 million in fiscal year 1972 and is estimated at about $620 million for fiscal year 1973.

The Child Nutrition Act of 1966 (42 U.S.C. 1771) extended, expanded, and strengthened the efforts of the school

lunch program including the establishment of a permanent program of nonfood assistance. This program provides up to 75 percent of the cost of equipment purchased or rented by schools drawing attendance from areas in which poor economic conditions exist, to enable such schools to establish, maintain, and expand school food service programs.

Public Law 91-248, approved May 14, 1970 (84 Stat. 207), clarified responsibilities for providing free and reduced-price meals. The law directed that such meals be provided on the basis of income guidelines prescribed by the Secretary of Agriculture. The law emphasized that the States were to extend the school lunch program to all schools and that free or reduced-price lunches were to be made available to all needy students. The law also permitted transferring Federal funds between programs, provided for advance appropriations and carryover authorization, strengthened the nutritional training and educational benefits of the programs, and required each State to develop a plan of child nutrition operations by January 1 of each year for the following fiscal year.

Public Law 92-153, approved November 5, 1971 (85 Stat. 419), increased the amount of reimbursement for lunches served. An average reimbursement rate of 6 cents in general cash-for-food assistance was established for each meal served and 40 cents in additional special assistance was guaranteed for each free meal unless the cost of providing such a meal was less than 46 cents.

Public Law 92-433, approved September 26, 1972 (86 Stat. 724), increased the reimbursement rate for general cash-for-food assistance to 8 cents for each meal served. The act also required that 50 percent of nonfood assistance funds be used solely for schools without food service and permitted the 25-percent matching requirement to be waived for schools without food service that are determined by the State to be especially needy.

RESPONSIBILITY FOR ADMINISTRATION

The Department of Agriculture, through the FNS headquarters and regional offices (1) supervises States' administration of the program, (2) administers the program for private schools in those States where the State educational

agencies are prohibited from disbursing funds to private schools, (3) distributes commodities to the States and private schools where applicable, (4) reviews State and local school operations, (5) apportions funds to the States, and (6) sets standards for nutritious meals.

At the State level, the State educational agency administers the program in public schools and in private schools where permitted. The agency (1) submits a State plan of child nutrition operations for each fiscal year for FNS approval, (2) establishes a system of accounting under which school food authorities will report program information, (3) maintains current records on schools' operations and accounts for program funds, (4) determines whether the matching requirements of the act are being met, (5) provides supervisory assistance to local schools, (6) provides the schools with monthly information on foods determined by the Department of Agriculture to be in plentiful supply, and (7) investigates complaints.

FNS and the States are responsible for extending the program to all schools. In addition, the States are responsible for assisting local schools to reach additional students.

At the local level, the schools or school districts carry out the program and determine the students eligible for free or reduced-price lunches in accordance with policy statements which must be submitted to the State agencies. To participate in the program, each school and school district must enter into a written agreement with the State and must keep accurate records to support claims for reimbursements.

PROGRAM FUNDING

As shown in detail in appendix II, Federal assistance to the States for the school lunch program and for the other FNS-administered child-feeding and related programs increased from about $438 million in fiscal year 1967 to about $1.5 billion in fiscal year 1973.

For the school lunch program, States must match the Federal grants for general cash-for-food assistance from sources within the State at a ratio of 3 to 1. For States

with below-average per capita incomes, this ratio may be decreased. Between fiscal years 1967 and 1972, annual contributions from sources within the States increased from $1.33 billion to $1.66 billion, most of which came from students' payments. FNS estimated that, for fiscal year 1973, these contributions would total $1.76 billion.

CHAPTER 2

MAKING NUTRITIOUS LUNCHES AVAILABLE TO ALL SCHOOL CHILDREN

FNS statistics show that participation in the school lunch program by both schools and students has increased in recent years. About 74,900 schools, with about 40 million students enrolled, participated in the program in fiscal year 1969 compared with about 82,900 schools, with about 45 million students enrolled, in fiscal year 1972. Some of the schools, however, had only limited programs because of inadequate facilities.

FNS statistics indicated that, between fiscal years 1969 and 1972, the average number of students participating in the program each day had increased from 20.7 million to 24.4 million and that the average number of students receiving free or reduced-price lunches each day had increased from 3.1 million to 7.9 million.

FNS estimated that in fiscal year 1973 the program would operate in about 84,600 schools, with about 46 million students enrolled, and that an average 27.5 million students would participate in the program each day with 8.4 million receiving lunches free or at reduced prices.

FNS statistics as of October 1971--early in the 1971-72 school year--indicated that about 24,900 eligible schools, with about 8.7 million students enrolled, were not participating in the school lunch program, including about 18,100 eligible schools, with about 5.5 million students enrolled, that did not have any type of food service.[1]

FNS identified as needy schools at least 4,400 of the 24,900 schools which were not participating in the school

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[1]FNS statistics as of September 30, 1972, indicated that about 23,900 eligible schools, with an enrollment of about 8.3 million, were not participating in the school lunch program, including about 17,700 eligible schools, with an enrollment of about 5 million, that did not have any type of food service.

lunch program. These 4,400 schools had an enrollment of about 1.4 million.

To determine why schools were not participating in the school lunch program, we either sent questionnaires to or interviewed local and State school officials in four States. These officials represented most of the nonparticipating public and private schools in the four States. In a fifth State, we reviewed the responses to questionnaires sent by the State during the 1971-72 school year to its nonparticipating public and private schools. In all six States included in our review, we also discussed with State and local school district officials the reasons for their schools' nonparticipation or limited participation.

The information we obtained showed that:

--Some schools chose not to participate because (1) their officials were not interested in participating, (2) their officals preferred to operate their own lunch programs, or (3) local conditions were such that they did not want to participate.

--Some schools did not participate because they did not have the buildings and equipment necessary for preparing and serving food. Some of these schools said they lacked the local funds needed to acquire such buildings and equipment.

--Some schools were participating in the program but had only limited facilities and could not serve lunches to all of their students.

Also, the State agencies and the FNS regional offices were not effective in carrying out their responsibilities for extending the program to nonparticipating schools, especially to private schools.

SCHOOLS CHOOSING NOT TO PARTICIPATE

The information we gathered indicated that some schools simply were not interested in participating. Some of the schools choosing not to participate served meals to students under their own programs. School officials indicated that they were not interested in participating in the Federal school lunch program due to its basic requirements that

(1) lunches contain the basic components--meat or other protein-type food as a main dish, vegetables or fruits, bread or a similar product, butter or margarine, and milk--required by the Secretary of Agriculture's guidelines, (2) free or reduced-price lunches be provided to needy students, and (3) the program operate on a nonprofit basis.

In one State, officials of 32 schools stated that they chose not to participate in the program rather than serve the required lunches or operate nonprofit programs. In another State, officials of three schools said that they did not want to go to the administrative expense of operating free- or reduced-price-lunch programs.

Officials of other schools, some of which had no food-serving facilities, said that they did not want to participate or to acquire facilities due to special local conditions Some of the conditions were:

--The school district and/or school was too small for a lunch program to be operated economically.

--The school was scheduled to be closed in the near future or had inadequate facilities and equipment with which to conduct a food service program.

--Students lived close to the school and could go home for lunch.

--A court order was pending to consolidate districts because of small enrollments or racial imbalances.

--The school required special food preparation for religious reasons.

--The school did not accept public funds.

SCHOOLS WITHOUT FOOD SERVICE BUILDINGS AND EQUIPMENT

In replying to the questionnaires, needy and nonneedy nonparticipating schools in the five States said that they did not have buildings and equipment for preparing and serving food. Although some schools indicated that they had local funds to acquire the necessary buildings and to

purchase equipment, many other schools reported that they did not have the needed local funds.

Under the nonfood assistance program, Federal funds are available to reimburse needy schools for up to 75 percent of the cost of equipment purchased or rented to establish, maintain, and expand school food service programs. However, nonfood assistance is not authorized for acquiring new buildings or for expanding existing buildings nor is it authorized for nonneedy schools. Public Law 92-433 permits the 25-percent matching requirement to be waived for schools without food service that are determined by a State to be especially needy.

In one State, responses from 152 public and private nonparticipating schools indicated that 93 schools were not participating because they did not have the necessary buildings and equipment. Of these 93 schools, 90 stated that they did not have the needed local funds. Another 36 of the 152 schools responded that they had sufficient local funds and were planning to participate within the next 1 to 3 years. The remaining 23 schools cited various other reasons for their nonparticipation.

The local funds problem confronting some schools is illustrated by the information obtained from 68 of the 90 schools not participating because they did not have the needed local funds. The total funds required for buildings and equipment for these 68 schools, representing 8 public school districts and 2 private schools, was estimated by the schools or school districts at $2.5 million. At least 50 percent of that amount was for buildings and would have to be paid entirely with local funds. Furthermore, the low percentage of needy students reported by about 65 percent of the schools indicated that the schools might not be eligible for the 75-percent Federal assistance for purchasing equipment, in which case the schools would have to pay the entire cost of the equipment.

In another State, responses from school districts representing 824 nonparticipating schools disclosed that 354 were not participating because they lacked the necessary buildings and equipment. Of these 354 schools, 198 stated that they did not have the needed local funds.

SCHOOLS WITH INADEQUATE FACILITIES

In three States, inadequate facilities in some participating schools resulted in the schools' limiting the number of students who could participate in the school lunch program. These quotas prevented both nonneedy and needy students from participating in the program.

In one State, a school district with 48 schools allowed only the students who were bused to school to participate because facilities were not adequate to feed all the students. About 2,800 of the total school district enrollment of about 15,900 were bused, including 2,150 of the total 3,150 students who were considered needy. Therefore about 13,100 students, including about 1,000 who were considered needy, had been excluded from participating.

In one school district in another State, a school provided lunches for its own students and for students of six needy schools. Although the kitchen capacity at the school preparing the lunches had been expanded by about 50 percent, its limited capacity restricted participation at the six other schools. At four of the schools, only the needy students were provided with lunches. At the two other schools, not all the needy students were provided with lunches.

The principal of the school preparing the lunches told us that, if student participation at his school increased, he would have to further reduce the number of lunches sent to the six other schools.

EFFORTS TO EXTEND PROGRAM TO ALL SCHOOLS

The State plan for child nutrition operations, which each State agency must submit annually to FNS, is to include a description of the manner in which the State proposes to extend the school lunch program to every school in the State. Where a State is prohibited from administering aid programs to private schools, the responsibility for extending the program to the private schools rests with the FNS regional office.

The nonparticipating schools toward which such efforts are to be directed are referred to by FNS as "no program" schools and include both (1) schools which conduct their own

lunch programs and (2) schools which do not have the buildings and equipment for preparing and serving lunches and which generally require nonfood assistance to enable them to participate in the program.

Our review disclosed that State agencies were not effective in extending the program to all schools in their States, particularly to schools requiring nonfood assistance for the necessary buildings and equipment. For example, one State agency had approved requests for nonfood assistance on a first-come-first-served basis without identifying the relative needs of individual schools. Another State agency had not surveyed its schools to identify those needing nonfood assistance and to inform them about the availability of such assistance.

Also the Department's Office of the Inspector General (OIG), which reviewed FNS regional office operations between May 1971 and March 1972, reported that some FNS regional offices had made only limited efforts to extend the school lunch program to private schools. OIG reported that the fiscal year 1972 plan of one regional office, which called for actively recruiting nonparticipating private schools and taking a poll of such schools to determine whether they had food service, had not been carried out as of December 1971. OIG had found that the regional office had primarily followed up on inquiries initiated by interested private schools. Regional office officials told OIG that they had been unable to carry out that phase of the plan because of more pressing problems and their increased workloads.

In another regional office OIG noted inconsistent past efforts to extend the school lunch program. OIG found that, of 416 nonparticipating private schools in a 3-State area in that region, 268 had not been visited by the regional office. OIG noted that the regional office had sent a memorandum explaining the program to some of those schools in March 1971 but that the office had not recorded the schools contacted or the results achieved. OIG reported that, of the 148 schools the regional office visited, 107 were visited before fiscal year 1970 (there were no records of visits in fiscal year 1970) and only 41 were visited in fiscal year 1971.

OIG recommended that both regional offices initiate plans of action outlining steps to be taken to offer the program to all eligible private schools. FNS officials

subsequently advised us that all five FNS regional offices had adopted formal outreach action plans.

To effectively extend the program to all schools, FNS and the States need accurate data on the schools which need assistance and the extent of their needs. To identify schools without food service, FNS conducted several surveys and sent questionnaires to the States. The State agencies were to collect and summarize the data and forward it to FNS. However, the agencies did not accurately prepare the questionnaires and only roughly estimated the number of schools without food service.

For example, the FNS survey, which showed that about 18,500 schools did not have food service as of October 1971, did not disclose whether such schools lacked the facilities for preparing and serving food. Moreover, our test of the accuracy of four States' data indicated that the reported number of schools without food service was not reliable. In some States, the State educational agencies did not have sufficient information available to prepare accurate surveys. In one State, all schools not participating in the school lunch program were assumed to be without food service. In another State, a certain percentage of the nonparticipating schools was assumed to be without food service.

Our discussions with State officials indicated that efforts to identify the needs of nonparticipating schools and to extend the program to these schools had been hampered by several factors. These officials stated that the shortage of administrative staff in relation to the increased scope of child-feeding programs had affected their efforts to extend the program. They also cited their difficulty in obtaining information from nonparticipating schools. One State official stated that, due to the uncertainty of funding in past years, promotional efforts had been limited to large school districts and to schools which had expressed specific interest in the program.

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FNS officials generally concurred with our observations. They stated that the Department was aware of the need to bring no-program schools into the program and that FNS had several efforts to deal with this problem underway. They

referred specifically to the report on no-program schools issued by the National Advisory Council on Child Nutrition in January 1972. This report recommended, among other things, that the Department concentrate on extending the program so that all schools needing lunch programs would be participating within 3 years. FNS officials said that they concurred in this recommendation and that their goal was to bring 5,000 no-program schools into the program during the 1972-73 school year.

Regarding schools which did not participate due to the lack of facilities, FNS officials expressed the view that sufficient Federal resources were available to schools which really wanted lunch programs. They said that in many cases the lack of facilities could be overcome by alternative feeding methods, such as catered lunches prepared by other schools or by commercial outlets. They also stated that the program was sufficiently flexible to permit participation by schools requiring special food preparation.

FNS officials pointed out that, since enactment of Public Law 91-248, State agencies and FNS had concerned themselves with implementing the free- and reduced-price-lunch policy at schools already in the program and that therefore their efforts to extend the program to all schools had been limited. FNS officials also stated that, although the scope of child nutrition programs had increased tremendously in the past several years, administrative staffs at the State agencies and at the FNS regional offices had remained relatively small.

CONCLUSIONS

The schools that did not offer their students any lunch programs had a number of reasons for this situation. Although some of the reasons were based on local preference or on special local conditions not susceptible to Federal persuasion, other reasons cited, such as the lack of interest or the lack of facilities for preparing and serving food, evidenced problems that could be resolved. To resolve these problems, FNS needs better data on the number of schools not participating in the program and their reasons. Such data would help FNS to determine what assistance or changes in administrative policies or legislation may be needed to enable the schools to participate.

RECOMMENDATIONS TO THE SECRETARY OF AGRICULTURE

We recommend that, to help achieve the objective of making nutritious lunches available to all school children, the Administrator, FNS:

--Make the studies necessary to obtain accurate information on the number and needs of schools not participating in the program and, if it is decided that the schools should be participating, determine whether changes in existing administrative policies or practices or in legislation are necessary.

--Direct the FNS regional offices to work more closely with the States in contacting nonparticipating schools and, where applicable, to contact nonparticipating schools directly, to convince them of the importance of providing nutritious meals to their students and to advise them of the types of assistance available under the school lunch program. Such promotional efforts could be especially effective in encouraging the participation of those schools whose reasons for not participating may be other than the lack of local funds.

AGENCY COMMENTS

The Department advised us by letter dated January 19, 1973 (see app. III), that it generally agreed with our conclusions and recommendations and found them to be consistent with its experience in administering the program.

The Department said that:

--FNS was annually updating inventory data on no-program schools.

--FNS personnel were developing the methodology and reporting forms to be used in the survey on unmet needs for equipment in schools eligible for assistance. The results of the survey would be reported to the Congress, as required by section 6(e) of Public Law 92-433.

--Although committed to reaching schools which offer no food services and those which provide food services but which do not participate in the Federal program, FNS's primary efforts were being directed toward the first type.

--A nationwide drive involving State, regional, and Washington personnel had begun in August 1972; the five FNS regions had adopted formal outreach plans; and FNS and State personnel were holding meetings and workshops and initiating mass mailings to the nonparticipating school officials, in line with the commitment to bring 5,000 additional schools into the program in the 1972-73 school year and to reach as many schools as possible within 3 years.

--Concentrated efforts were being emphasized in 11 States where the numbers of schools and students without food services in public and private schools were particularly high. Top priority had been assigned to establishing programs in title I schools.[1]

--In some cases FNS regional personnel were directly conducting the outreach effort to assist State agencies that did not have sufficient personnel.

--Each regional administrator submitted a detailed monthly report showing the status of new programs established and schools' reasons for refusing to participate.

--As schools having no facilities for preparing and serving food were identified, they were being provided with a brochure illustrating alternative methods of providing adequate school lunches.

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[1]Title I schools are schools receiving funds under title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 241a) which authorizes Federal financial assistance for programs designed to meet the special educational needs of educationally deprived children living in areas having high concentrations of children from low-income families.

We believe the actions that FNS has taken or planned should help it more fully achieve the program objective of making nutritious lunches available to all school children.

CHAPTER 3

PROVIDING FREE OR REDUCED-PRICE LUNCHES TO ALL NEEDY SCHOOL CHILDREN

In recent years the number of students eating free or reduced-price lunches has increased significantly. In April 1970, before the passage of Public Law 91-248 which clarified responsibilities for providing such lunches, about 5 million students, nationwide, were eating free or reduced-price lunches.

FNS statistics showed that as of April 1972 the number had increased to about 8.1 million students, about a 60-percent increase in 2 years. However, an FNS survey as of March 1972 disclosed that about 9.6 million needy students were attending participating schools. Therefore about 1.5 million still were not eating free or reduced-price lunches.

To determine why, we identified 183 needy students at 20 of the 26 schools we visited during the 1971-72 school year who were not eating free or reduced-price lunches and interviewed them or members of their families. The average daily attendance in the 20 schools was about 21,000 students, of whom about 5,300 were eating free or reduced-price lunches. We were unable to determine the percent of needy students eating lunches free or at reduced prices because valid information on the total number of needy students in these schools was not available.

Of those 183 persons interviewed, 75 stated that they did not want to participate, or that they did not want the students to participate, for personal reasons, such as pride and student preference not to eat the school lunches.

The other 108 persons interviewed stated that they wanted to eat, or wanted the students to eat, the school lunches free or at reduced prices, but that, for various reasons, they were not participating.

We found that certain administrative practices at some of the schools we visited during the 1971-72 school year did not comply with FNS regulations. OIG found similar

practices in its review of the administration of the free- and reduced-price-lunch policies in other schools during the 1971-72 school year.

The reasons cited by those who did not want to participate and the administrative practices which affected participation by needy students are discussed below.

REASONS CITED BY THOSE WHO DID NOT WANT TO PARTICIPATE

Our interviews with the 75 persons who did not want to participate in the school lunch program or who did not want the students to participate indicated that their reasons generally were personal. Most of the reasons could be classified into two categories: (1) parent or student pride and (2) student preference not to eat, or student dislike of, the school lunches. Other reasons included:

--The parent preferred the student to eat lunch at home because the parent could prepare a better lunch.

--The student lived close to the school and could go home for lunch.

--The student was on a diet.

--The student needed special food for health reasons.

--The student could not eat certain foods because of religious belief.

Some persons we interviewed said that the students preferred the a la carte service available to them. With a la carte service, a student can select a lunch from a variety of food items rather than be served a lunch meeting the Secretary's guidelines, commonly known as a type A lunch. A number of nonneedy students also cited this preference as their reason for not participating in the school lunch program.

The following example shows the significance of this preference.

--In a needy secondary school, which had converted its lunch program from a la carte service to a type A lunch during the 1970-71 school year, general participation fell from an average 850 students daily during the 1968-69 school year to about 630 students daily in December 1971. The principal of this school told us that he considered this drop in participation remarkable because, under a la carte service, no free or reduced-price lunches had been served and that about 75 percent of the students were eligible for free or reduced-price lunches under the type A lunch program. He said that, when the type A lunches were served, students had no choice of what they could eat and lost interest in the lunches.

ADMINISTRATIVE PRACTICES AFFECTING NEEDY STUDENTS' PARTICIPATION

At 15 of the 20 schools where we held our interviews during the 1971-72 school year, certain administrative practices did not comply with FNS regulations for free and reduced-price lunches. At seven of these schools, these practices appeared to be related to some of the reasons cited for nonparticipation by those interviewed. We found similar practices at six other schools which we visited during the 1971-72 school year but at which we did not interview students or members of their families.

The regulations require that:

--A notice be distributed to all parents of children attending schools participating in the school lunch program to advise them about the free- and reduced-price-lunch program. This notice is to be accompanied by an application form for free or reduced-price lunches. If eligibility standards change during the school year, the same notification procedures are to be followed.

--The food authorities of schools participating in the lunch program insure that students receiving free or reduced-price lunches are not overtly identified by the use of special tokens or tickets or by any other means.

Required application forms for free and reduced-price lunches not sent

Of the 26 schools we visited during the 1971-72 school year, 8[1] had not sent application forms for free or reduced-price lunches at the beginning of the school year to

[1] The eight schools not sending application forms at the beginning of the school year were Mayfair Elementary, Irwin Junior High, and Theodore Roosevelt High in Fresno, California; Peter H. Burnett Junior High and San Jose High in San Jose, California; Douglass Elementary in Kansas City, Kansas; and Harris Elementary and Northeastern High in Detroit, Michigan.

students' families and 7,[1] including 2 of the 8, had not sent application forms after eligibility standards changed during the school year. In one school district a school sent notices to the families about the school lunch program but, contrary to FNS regulations and the school district's approved free- and reduced-price-lunch policy, did not include application forms. Some parents told us that they could not, or would not, go to the school to complete the applications. As a result, their children were not eating the free or reduced-price lunches.

Officials of this school district told us that the application forms had not been sent to the families because the officials considered it a waste of money to send forms to every home in the district. School officials in another district told us that they had not distributed applications to everyone because the district had not provided enough forms.

In commenting on the practice of not sending application forms to all families, district officials stated that corrective action had been or would be taken.

Identity of students receiving free or reduced-price lunches not protected

In 20[2] of the 26 schools we visited during the 1971-72 school year, procedures used to account for the

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[1] The seven schools not sending application forms after eligibility standards changed were Fitzgerald Elementary, Harris Elementary, Moore Elementary, Scripps Elementary, Condon Junior High, Spain Junior High, and Northeastern High in Detroit.

[2] The 20 schools were Irwin Junior High and Theodore Roosevelt High in Fresno; Washington Elementary, Peter H. Burnett Junior High, and San Jose High in San Jose; Douglass Elementary in Kansas City; Horace Mann Elementary and East High in Wichita, Kansas; Fitzgerald Elementary, Harris Elementary, Moore Elementary, Preston Elementary, Scripps Elementary, Condon Junior High, Spain Junior High, and Northeastern High in Detroit; Kelly Elementary, Poe Junior High, and Rhodes Junior High in San Antonio, Texas; and Lincoln Street Elementary in Texarkana, Texas.

number of free and reduced-price lunches served resulted in the overt identification of needy students. We were told in 14 interviews that students did not want to take the school lunches free or at reduced prices because of their reluctance to be identified as needy. Some of the procedures were:

--Nonneedy students paid in the lunchroom, but needy students were recognized and not charged by the cashier, used lunch tickets, or called out assigned numbers as they passed through the lunch lines.

--Nonneedy students paid at the teacher's desk, while needy students remained seated.

Local school and school district officials commented on the difficulty of protecting the anonymity of needy students. Some officials expressed a reluctance to devise a more sophisticated system to protect anonymity because of the time and expense involved. They also said that students discussed this matter among themselves and therefore knew who were receiving free lunches.

The school districts advised us, however, that efforts had been or were being made to develop procedures that protect the anonymity of needy students.

OIG REVIEW OF IMPLEMENTATION OF FREE- AND REDUCED-PRICE-LUNCH PROGRAM

OIG issued a report in May 1972 on its review of the manner in which the free- and reduced-price-lunch program had been implemented during the 1971-72 school year by 5 FNS regional offices and by educational agencies and school districts in 13 States and the District of Columbia. OIG's report recognized the increase in the number of needy children benefiting from the school lunch program but noted that administrative weaknesses still existed that would impede further progress. OIG reported the following as the more significant weaknesses in the implementation of the free- and reduced-price-lunch program.

--School district officials did not always comply with all the procedures agreed to in their approved free- and reduced-price-lunch policy statements.

--In many instances, publicity and literature on free lunches were not promptly distributed to local news media, applications for free lunches were not promptly disseminated to parents, and approvals of free-lunch requests were not promptly processed by school officials.

--The anonymity of students approved for free and reduced-price lunches was not protected in 50, or about 40 percent, of the 132 school districts audited. Some needy students had to work for their meals; some were required to use a medium of exchange, such as a voucher, which differed from that used by paying students; and some had to use identification cards which clearly indicated their status as free-lunch recipients.

--Because trained personnel were lacking and because other responsibilities were emphasized, FNS regional office and State agency administrative analyses and reviews of State agency and school operations, respectively, were not of sufficient depth or scope to determine the extent of, or reason for, significant program shortcomings.

--FNS estimates of the number of needy students were largely based on unsupported data submitted by State agencies.

OIG recommended, among other things, that the Administrator, FNS:

--Reemphasize to FNS regional office and State agency personnel their specific areas of responsibility under the program, including the necessary followup on implementation of policy statements and prompt corrective action on problem areas.

--Strongly encourage schools to continue to publicize the availability of free and reduced-price lunches. Effective followup should be required, especially in those schools where participation is below the estimated potential need.

--Reemphasize that FNS regional office and State agency reviewers need to concentrate on covering schools' implementation of, and success in complying with, free- and reduced-price-lunch policies.

--Assist the FNS regional offices, State agencies, and school officials to obtain sound statistics of each school's need to provide free and reduced-price lunches within its geographic area.

--Renew efforts to have schools develop systems that adequately protect the anonymity of students approved for free and reduced-price lunches. Acceptable methods should be publicized and followup should be effected to insure proper implementation.

The FNS Administrator advised OIG by letted dated August 10, 1972, that FNS generally agreed with OIG's findings and recommendations. He stated that the FNS regional offices and State agencies had been advised of the deficiencies noted by OIG and of the action to be taken to correct them. He stated also that he intended to provide the necessary vigorous followup on the proposed corrections to insure improved performance at all levels in line with the purposes of, and regulations for, child-feeding programs.

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FNS officials generally agreed with our observations and commented that:

--The information we obtained during our interviews was very interesting and worthwhile because this was the first effort they were aware of to obtain information and views on the program from prospective recipients.

--There was sufficient program flexibility to permit substitution of foods if students did not like the food served.

--A distinction should be made between overtly identifying needy students and protecting their anonymity.

Since FNS and the schools could never completely protect the anonymity of needy students, their main concern was to satisfy themselves that the procedures used by the

schools did not result in overt identification. Their role was to identify collection procedures used by schools that were successful in protecting the anonymity of needy students and to disseminate this information to the States and other schools.

CONCLUSIONS

Although free or reduced-price lunches have been made available to an increasing number of needy students, our findings, together with OIG's findings, have shown several obstacles to accomplishing the objective of reaching all needy school children. The principal obstacles are:

--Schools' adoption of practices in administering the free- and reduced-price-lunch policy that do not comply with FNS regulations.

--Needy families' refusal to have their children accept the school lunches free or at reduced prices.

--The inadequate coverage by FNS regional office and State agency reviewers of the schools' implementation of, and success in complying with, free- and reduced-price-lunch policies.

We believe that OIG's recommendations to FNS for improving the implementation of free- and reduced-price-lunch policies and the actions taken or planned by FNS should help overcome the obstacles discussed above; therefore we are not making any recommendations on this aspect of the program.

AGENCY COMMENTS

In its comments the Department stated that the increase in the number of free and reduced-price lunches served since the May 1970 law changed the requirements for such lunches was due to FNS's determined efforts and to the cooperation of State agency and local school personnel. The Department pointed out that these efforts had been somewhat hampered and at times delayed because of the timing of legislative amendments and regulatory changes; however, the income guidelines for the 1972-73 school year were published in May 1972 and guidance on updating and implementing the free- and

reduced-price-lunch policies was issued in mid-June to permit all schools to have approved policy statements at the beginning of the school year.

The Department further stated that FNS was continuing to direct corrective action on the program deficiencies disclosed by OIG and by administrative reviews; that FNS had reviewed all the State agency policies and the local school policies approved by the State agencies; and that FNS had visited selected school districts and individual schools in all States to insure that the policies were implemented in line with FNS regulations and Federal law.

CHAPTER 4

NEED TO OBTAIN BETTER INFORMATION ON COST PER LUNCH

To more effectively administer the school lunch program, FNS needs accurate financial information on the program's operation. FNS especially lacked such information for the cost of lunches. An accurate per-lunch cost would help not only to insure that the Federal reimbursements do not exceed the actual costs of lunches, as is required by existing legislation, but also to determine the extent to which especially needy schools are eligible for higher reimbursements allowed by the legislation.

Before fiscal year 1971, the Federal reimbursement rate for free school lunches generally was considerably lower than the schools' cost of providing such lunches.

With the fiscal year 1972 increase in the reimbursement rate for free lunches to 46 cents each--a rate which more nearly approximated the cost of providing the lunches--FNS needed more precise information on each school's reimbursable costs if it was to effectively administer the Federal reimbursement requirements. FNS, however, did not provide sufficient guidance to the schools on how to determine and report their costs. Schools were required to include costs for food, labor, and "other" on their claims for reimbursement, but no criteria were provided to identify what cost elements should be included in these broad categories.

Schools computed their costs in a variety of ways. Some schools included only the direct costs of food, labor, and supplies; others also included indirect costs. Some schools charged the costs of all food, labor, and supplies to the lunch program, although some of the costs were applicable to, and should have been charged to, other programs, such as the breakfast, special milk, and a la carte lunch programs. One school district covered in our review had significantly overstated its costs because it had included certain costs which pertained to the prior year's school lunch program.

Lunch costs reported by individual schools varied widely. For example, an FNS study as of December 1971 showed that the

average per-lunch cost at private schools covered in the study ranged from 18 cents to 95 cents. An FNS official told us that, because many of the schools incurred costs of less than 46 cents per lunch, FNS might be forced to seek refunds. These refunds could prove financially detrimental to many schools. For example, the study showed that 85 of 93 schools in one FNS region had a per-lunch cost of less than 46 cents, including 50 which had an average per-lunch cost of less than 35 cents.

The American School Food Service Association compiled costs reported by school food service directors in 41 States as of March 1972. These per-lunch costs ranged from 49 cents to 91 cents and averaged 63 cents.

FNS has taken steps to provide additional clarification and guidance as to what costs should be reimbursable. An accounting manual designed by a firm of certified public accountants under contract with FNS was tested in a number of school districts from September through December 1972. In December 1972 FNS completed a survey of direct and indirect operating costs applicable to the program in several States, to determine the average cost of school lunches. FNS analyzed 1971-72 school year lunch costs, to identify any instances where reimbursements exceeded costs.

These efforts did not significantly help schools compute per-lunch costs because FNS did not identify what costs were to be included in the computations. After we pointed out this lack, FNS officials informed us that they recognized the need to define allowable costs and that they were preparing a policy statement on the matter.

A specific definition of allowable costs would enable FNS to determine whether the reimbursement rate is no greater than allowable costs but is sufficient to provide the incentive for States and schools to bring more needy students into the program.

RECOMMENDATION TO THE SECRETARY OF AGRICULTURE

We recommend that the Administrator, FNS, in developing the policy statement on per-lunch cost, specifically define the types of costs incurred by participating schools that are allowable for reimbursement.

AGENCY COMMENTS

In its comments the Department stated that the policy statement being developed would specifically define allowable reimbursement costs. The Department said that, although FNS had issued guidelines to its regional administrators for determining the cost of producing a type A lunch, the methods varied depending, in part, on the types of accounting systems used in the schools; many systems did not permit definitive determinations of the per-lunch cost of providing a type A lunch.

The Department further advised us that it anticipated that the new accounting handbook, which had been field tested, would uniformly define costs--both for accounting and for determining levels of Federal reimbursement.

CHAPTER 5

SCOPE OF REVIEW

We made our review at the Department of Agriculture headquarters in Washington, D.C.; at the State educational agencies in California, Indiana, Kansas, Kentucky, Michigan, and Texas; and at 13 selected school districts and 46 schools within those districts. (See app. I.)

We reviewed the administration of the school lunch program in Indiana and Kentucky primarily during the 1970-71 school year and in California, Kansas, Michigan, and Texas during the 1971-72 school year. Our review in Michigan was made primarily in Detroit to cover the program in a large northern industrial urban area.

We reviewed the applicable legislation and the policies, procedures, and program records of the Department, the six State educational agencies, and the selected school districts and schools. We also interviewed Federal, State, and local officials and obtained written comments from some school district officials. We reviewed selected reports issued by OIG on its reviews of the program.

At 20 of the 26 schools we visited during the 1971-72 school year, we identified 183 needy students who were not participating and interviewed them or members of their families.

APPENDIX I

STATE EDUCATIONAL AGENCIES, SCHOOL DISTRICTS, AND SCHOOLS VISITED DURING REVIEW

CALIFORNIA DEPARTMENT OF EDUCATION, SACRAMENTO, CALIFORNIA:

Fresno City Unified School District:
- Irwin Junior High
- Mayfair Elementary
- Theodore Roosevelt High

San Jose Unified School District:
- Peter H. Burnett Junior High
- San Jose High
- Washington Elementary

INDIANA DEPARTMENT OF PUBLIC INSTRUCTION, INDIANAPOLIS, INDIANA:

Fort Wayne Community Schools:
- Hillcrest School
- Portage Junior High
- Francis M. Price School
- Willard Shambaugh School

Indianapolis Public Schools:
- School 27
- School 74
- School 83
- School 21

Richmond Community School Corporation:
- Boston School
- Hibberd Elementary and Junior High
- Highland School
- Test Junior High

KANSAS DEPARTMENT OF PUBLIC INSTRUCTION, TOPEKA, KANSAS:

Unified School District No. 500, Kansas City:
- Argentine High
- Douglass Elementary
- Northeast Junior High

APPENDIX I

Unified School District No. 259, Wichita:
- East High
- Horace Mann Junior High
- Jefferson Elementary

KENTUCKY DEPARTMENT OF EDUCATION, FRANKFORT, KENTUCKY:

Louisville Independent School District:
- Elizabeth Breckinridge Elementary
- Cochran Elementary
- Parkland Junior High

Owensboro Independent School District:
- Estes Junior High
- Lincoln Elementary

Perry County School District:
- D.C. Combs Memorial High
- Leatherwood Consolidated
- M.C. Napier High

MICHIGAN DEPARTMENT OF EDUCATION, LANSING, MICHIGAN:

School District of the City of Detroit:
- Condon Junior High
- Fitzgerald Elementary
- Harris Elementary
- Moore Elementary
- Northeastern High
- Preston Elementary
- Scripps Elementary
- Spain Junior High

TEXAS EDUCATION AGENCY, AUSTIN, TEXAS:

San Antonio Independent School District:
- Kelly Field Elementary
- Poe Junior High
- Rhodes Junior High

Texarkana Independent School District:
- Lincoln Street Elementary
- Pine Street Junior High
- Texas High

FEDERAL ASSISTANCE TO STATES FOR CHILD-FEEDING PROGRAMS

Cash grants (note a)	1967	1968	1969	1970	1971	1972	1973 (note b)
	(millions)						
School lunches for all children	$147.7	$154.7	$161.2	$168.0	$225.8	$ 252.6	$ 340.0
Additional payments for free and reduced-price lunches	1.9	4.9	42.0	132.0	309.2	502.0	620.0
Special Milk Program	96.7	101.9	101.9	101.5	92.3	95.0	96.4
School breakfasts for needy children	.6	2.0	5.6	10.9	20.2	26.5	52.3
Nonfood assistance for needy schools (equipment)	.7	.7	10.2	16.7	37.1	17.8	16.1
State administrative expenses	-	-	.5	1.7	3.5	3.3	3.5
Nonschool food programs	-	-	3.2	7.3	21.0	42.6	74.0
Nutritional training and surveys	-	-	-	-	.7	.6	1.0
	249.6	264.2	324.6	438.1	709.8	940.4	1,203.3
Donated commodities (note c)							
Section 6	57.9	55.5	64.2	64.4	64.3	64.0	64.3
Section 32	51.0	100.1	100.5	133.3	127.8	112.4	86.5
Section 416	79.5	120.4	107.4	68.1	87.1	138.7	156.8
	188.4	276.0	272.1	265.8	279.2	315.1	307.6
	$438.0	$540.2	$596.7	$703.9	$989.0	$1,255.5	$1,510.9

[a]Represents obligations.

[b]Estimated.

[c]Represents estimated value of commodities distributed.

APPENDIX III

UNITED STATES DEPARTMENT OF AGRICULTURE
FOOD AND NUTRITION SERVICE
WASHINGTON, D.C. 20250

January 19, 1973

Mr. Richard J. Woods
Assistant Director
Resources and Economic
Development Division
United States General Accounting Office

Dear Mr. Woods:

We agree in general with the conclusions and recommendations contained in the draft of your Report to the Congress on Progress and Problems in Achieving Objectives of the School Lunch Program. We find them to be consistent with our own experience and findings in the administration of the program.

It is felt that our comments as included in the draft report accurately reflect our position at the time of the working-review meeting with your representatives and we wish to furnish the following comments concerning subsequent program developments.

With regard to the "no-program" schools we believe that a distinction must be made between schools which offer no food service at all and those which provide a food service, but do not participate in the Federal program. FNS is specifically committed to reaching both categories of "no-program" schools in its outreach efforts with primary efforts toward the former category. We are committed to an annual update of inventory data on no-program schools and are currently tabulating the results of the October 1972 survey from which final data will be available shortly.

A three-way simultaneous nationwide drive, involving a concentrated joint effort by Regional, State and Washington FNS personnel, to reach no-program schools was launched in August 1972. Formal outreach action plans have been adopted in each of the five regions and FNS and State personnel are conducting meetings and workshops and initiating mass mailings to the nonparticipating school officials, in line with our commitment to bring 5,000 additional schools into the program in 1972-73 and to reach as many as possible within three years. Concentrated outreach efforts are being emphasized in eleven selected States where numbers of schools and children without food service in public and private schools are particularly high, and top priority has been assigned to establishing programs in Title I

schools. In some cases FNS regional personnel are assisting those State Agencies that do not have sufficient personnel by directly conducting the outreach effort within those States. The Regional Administrators forward a detailed monthly progress report to the Director of the Agency's Child Nutrition Division on the status of new programs established as well as the status of schools refusing to participate and reasons for the refusal.

In line with our comments on the lack of facilities and equipment, the agency has made available a brochure that illustrates various methods of providing an adequate school lunch to children enrolled in schools without in-house preparation and serving facilities. This brochure is being forwarded to appropriate nonparticipants as they are identified. Fiscal procedures have been instituted for the reservation and apportionment of 50 per centum of the appropriated nonfood assistance funds to assist needy schools without a food service as required by the recent amendment of Section 5 of the Child Nutrition Act. Also, agency personnel are deeply involved with developing the methodology and reporting forms for the survey among the States and school districts on unmet needs for equipment in schools eligible for assistance. The results of the survey, to be conducted this spring, will be reported to the Congress as required by Section 6(e) of Public Law 92-433.

Since the major changes in the free and reduced price meal requirements were enacted into law in May 1970 the daily service of free and reduced price lunches has been increased from 3.1 million in FY 1969 to 8.3 million in November 1972 through the agency's determined efforts with the cooperative, intensive actions of the State Agency and local school food authority personnel. The efforts have been somewhat hampered and at times delayed due to the timing of legislative amendments directly affecting the program and the promulgation of regulatory changes. The Secretary's income poverty guidelines applicable to the current school year were published in May, and guidance on the updating and implementation of the free and reduced price policies was issued in mid-June to permit all schools to have effective, approved policy statements at the beginning of the academic year. The Agency is continuing its determined efforts to direct general and specific corrective action on the program deficiencies disclosed in the OIG audit report, as well as those disclosed in our administrative on-site visits and reviews. We have also issued guidance on the policy changes required by enactment of Public Law 92-433. We have closely reviewed all of the State Agency policies, and as part of this year's administrative analyses, FNS personnel have reviewed the local school food authorities' policies as approved in the State Agency offices. Also, on-site visits have been made to selected school districts and to individual schools in all States for a first hand review of local administration of the policies, and to assure that they are implemented in line with the Department's regulations and Federal law.

APPENDIX III

Concerning the adequacy of per-meal lunch cost data, in addition to the policy statement currently being developed which will specifically define allowable reimbursement costs, the agency issued guidelines on June 8 to the Regional Administrators for determining the cost of producing a Type A lunch. The methods vary depending, in part, upon the type of accounting systems used in the schools. Many systems currently followed do not permit definitive determinations on the per-lunch cost of providing a Type A lunch. In addition, we anticipate that the new accounting handbook, which has undergone field testing, will achieve a uniform definition of costs--in both the accounting sense and for determining levels of Federal reimbursement.

With consideration of these additional comments we feel that your report realistically summarizes the current status of the program.

Sincerely,

Edward J. Hekman
Administrator

APPENDIX IV

PRINCIPAL OFFICIALS OF

THE DEPARTMENT OF AGRICULTURE

RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES

DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
SECRETARY OF AGRICULTURE:		
Earl L. Butz	Dec. 1971	Present
Clifford M. Hardin	Jan. 1969	Nov. 1971
ASSISTANT SECRETARY, MARKETING AND CONSUMER SERVICES:		
Clayton Yeutter	Jan. 1973	Present
Richard E. Lyng	Mar. 1969	Jan. 1973
ADMINISTRATOR, FOOD AND NUTRITION SERVICE:		
Edward J. Hekman	Sept. 1969	Present

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